

*Via Electronic Filing*

October 17, 2011

Ms. Marlene Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20544

*Re: Written Ex Parte Communication-Connect America Fund, WC Docket No. 10-90, A National Broadband Plan for Our Future, GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135, High-Cost Universal Service Support, WC Docket No. 05-337, Developing an Unified Intercarrier Compensation Regime, CC Docket No. 01-92, Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Lifeline and Link-Up, WC Docket No. 03-109*

Dear Ms. Dortch:

Pursuant to Section 1.1206 of the Commission's rules, Consolidated Telcom, Midstate Telephone Company, Northwest Communications Cooperative, Reservation Telephone Cooperative, and SRT Communications, Inc. (the "NWND companies") file this ex parte communication in response to the Notice of Proposed Rulemaking ("NPRM") pending in the above-referenced proceedings.

Each of the NWND companies provides telephone exchange service, exchange access service, and broadband access to the Internet in service areas in northwest North Dakota. The purpose of this ex parte is to discuss why this area of North Dakota is vital to the national priorities of energy independence, job creation, national security and infrastructure development and the importance of adequate USF support levels to meet these national priorities.

President Obama has pledged that America will cut its dependence on foreign oil by one third over the next decade and has put forth a plan which will deploy American assets, innovation, and technology in order to secure America's energy future by expanding safe and responsible domestic oil and gas development and production at home. (Source: Blueprint for a Secure Energy Future, March 30, 2011). The President has also placed high priority on the urgent need for job creation as evidenced by the President's proposed American Jobs Act, addressed by the President to a Joint Session of Congress on September 8, 2011. In addition, the Administration's

2012 budget also calls for new border security technology and higher pay for border agents. The increase in work activity in this area of North Dakota has caused an increase need for border security in these areas.

Northwest North Dakota is an area vital in achieving the priorities establish by the President. This area is located within the Bakken Shale Oil formation. The Bakken Shale Oil Field, which stretches down from Canada into North Dakota and Montana, has been estimated to hold over 3.6 billion barrels in oil reserves which would be the largest finding in U.S. history next to the oil fields in Alaska. Natural Gas is also found deep in Bakken Shale Field. The U. S. Geological Survey estimated that there could be over 1.8 trillion cubic feet in this area, as well as nearly 148 million barrels of natural gas liquids.

The Bakkan shale area is attracting billions of dollars in investment from foreign and domestic oil companies and also from smaller U.S. drillers. North Dakota State University estimates the oil workforce has gone from just over 5,000 in 2005 to over 18,000 in 2009. One industry expert believes that if production hits a million barrels a day, it could employ over 100,000 people in the area.

North Dakota unemployment is the lowest in the nation, but high wages from the oil and gas industry has had systemic impacts (See Energy Policy Research Foundation, The Bakken Boom, August 3, 2011) Wage inflation is beginning to take root as it is difficult for stores, shops, and restaurants to keep workers given the opportunities in the petroleum sector. The entire range of services required to support the oil boom are in short supply. Hotels in petroleum-producing regions of North Dakota are booked two to three years out and every apartment is rented. Make-shift housing, such as campers and RVs, are commonplace. Many oil companies operate their own “man camps” where employees eat and sleep while they are working. A challenge for the state is to address the requirements for expanded infrastructure and related services while at the same time addressing the financial risks of an economic downturn should the rising production prove unsustainable.

In the NPRM, the Commission proposed to cap the amount of operating expenses and capital expenses that are reimbursable for universal service purposes at specified levels that will allow ongoing, reasonable investment consistent with Section 254 (para. 203). Under this proposal, a carrier would only be eligible for reimbursement from HCLS and ICLS mechanisms for capex and opex at or below a specified threshold. Recognizing that there could be unique circumstances which would cause carriers to exceed the caps, the Commission also sought comment regarding whether a process should be created to permit carriers with higher costs to receive a greater amount of support notwithstanding the cap based on a showing that their costs are justified for reasons not captured in the formula (para. 206).

Consistent with the Commission’s NPRM, the NWND companies urge the Commission to adopt a distribution methodology that allows for waivers on capped capital investment amounts, as well as any caps on operating expenses. Given that rapid deployment of broadband infrastructure is needed to support the companies enabling national energy and employment priorities, it is likely that the NWND companies will not follow a typical broadband deployment schedule and could see significantly higher investment needs in the near future. Further, given the

supply/demand imbalance for skilled labor, it is likely that the rapidly increasing cost of labor will have a significant impact on the total cost of broadband deployment.

Therefore, the NWND companies urge the Commission to consider that the future USF/CAF distribution methodology take into consideration the unique circumstances of the companies serving these areas. Determining appropriate capital expenditure levels and continuing operating expense levels, as well as providing adequate USF is critical to ensuring the fulfillment of national interests.

Sincerely,

/s/ Paul Schuetzler

Paul Schuetzler  
Manager  
Consolidated Telcom

/s/ Mark Wilhelmi

Mark Wilhelmi  
Manager  
Midstate Telephone Company

/s/ Dwight Schmitt

Dwight Schmitt  
General Manager/CEO  
Northwest Communications Cooperative

/s/ Royce S. Aslakson

Royce S. Aslakson  
CEO/General Manager  
Reservation Telephone Cooperative

/s/ Steven D. Lysne

Steven D. Lysne  
CEO/General Manager  
SRT Communications, Inc.